

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-14 ISO-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-03 INR-11 IO-14 NSAE-00

RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-03 LAB-06 SIL-01

SWF-02 OMB-01 AEC-11 DODE-00 FEAE-00 FPC-01 H-03

INT-08 L-03 NSC-07 PM-07 SAM-01 SCI-06 SS-20 STR-08

OIC-04 PA-04 PRS-01 USIA-15 EURE-00 DRC-01 /267 W

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P R 211701Z AUG 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3486

INFO AMEMBASSY ANKARA

ZEGWAMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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AMEMBASSY TRIPOLI

AMEMBASSY CARACAS
USINT ALGIERS
USINT BAGDAD
AMEMBASSY JIDDA
AMEMBASSY ABU DHABI
AMEMBASSY TEHRAN
AMEMBASSY LAGOS
AMEMBASSY JAKARTA
AMEMBASSY LIBREVILLE
AMEMBASSY QUITO
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 19948

KUWAIT PASS DOHA;BEIRUT POUCH BAGHDAD

E.O. 11652: GDS

TAGS: EINV, ENRG, OPEC, OECD

SUBJECT: POLICY TOWARD DIRECT INVESTMENT BY OIL NATIONS

REF: STATE 178868

1. SUMMARY: REVIEW OF U.S. POLICIES ON DIRECT INVESTMENT SHOULD TAKE CAREFUL ACCOUNT OF BOTH TRADITIONAL ATTITUDES AND RECENT INTERNATIONAL DISCUSSIONS REGARDING PROPER COOPERATIVE RESPONSES TO NEW B/P SITUATION. END SUMMARY.

2. MISSION TAKES NOTE OF REASON FOR REEXAMINING U.S. POLICY ON FORWARD DIRECT INVESTMENT, AS DESCRIBED FYI PORTION REFTEL. GIVEN BELOW ARE COMMENTS ABOUT BOTH TRADITIONAL U.S. ATTITUDE TOWARD DIRECT INVESTMENT AS LONG-RUN POLICY AND CONSIDERATIONS GROWING OUT OF RECENT DISCUSSIONS BEARING ON SUBJECT.

3. DEVELOPED NATIONS HAVE ADOPTED CERTAIN COMMITMENTS WITH REGARD TO CAPITAL MOVEMENTS, BOTH IN GENERAL TERMS IN OECD CONVENTION AND IN MORE SPECIFIC COMMITMENTS EMBODIED IN OECD CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS. THIS CODE, WITH WHICH DEPARTMENT WELL-ACQUAINTED, HAS GENERAL APPROACH OF REQUIRING THAT CONFIDENTIAL

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ADHERENTS LIBERALIZE (I.E. FREELY GRANT PERMISSION FOR) CERTAIN DESIGNATED CAPITAL TRANSACTIONS, OF WHICH INWARD DIRECT INVESTMENT REPRESENTS MAJOR CATEGORY. OECD INVISIBLES COMMITTEE HAS DEVOTED SPECIAL SESSIONS IN RECENT YEARS TO COMPARING COUNTRY PRACTICES WITH CODE PROVISIONS. IN THIS COMMITTEE AND OECD COUNCIL, U.S. HAS BEEN LEADING AND CONSISTENT EXPONENT OF FREEDOM FOR INWARD AND OUTWARD DIRECT INVESTMENT.

4. BEYOND THIS CODE, USG HAS INITIATED IN XCSS IN L973-74 A STUDY BY OECD OF INVESTMENT POLICY OF MEMBER GOVERNMENTS LARGELY CONCENTRATED ON PRECISELY THIS FIELD OF INWARD DIRECT INVESTMENT. AT HIGH LEVEL, WE HAVE SUGGESTED THAT MEMBER GOVERNMENTS CONSIDER FEASIBILITY OF ADOPTING CERTAIN PRINCIPLES. ONE OF WHICH WOULD BE PRINCIPLE OF NEUTRALITY THAT WOULD NEITHER IMPOSE RESTRICTIONS AGAINST NOR OFFER ARTIFICIAL INDUCEMENTS TO PROMOTE DIRECT INVESTMENT FROM ABROAD.

5. THUS, OTHER DEVELOPED NATIONS PROBABLY WOULD VIEW WITH SURPRISE AND CRITICISM ANY ALTERED USG POLICY OUTLINED IN PARA 1 (B). OPEC STATES, WHICH HAVE SHREWD ADVISORS AND ARE ALERT TO ANY EXPLOITABLE ISSUES, MIGHT WELL BE EQUALLY CRITICAL OF SUCH A SHIFT.

6. WE WOULD ALSO MENTION THAT AT OECD COUNCIL OF MINISTERS MAY 29-30 AND IN MEETINGS OF EPC AND WP 3 LEADING UP THERETO, EXTENSIVE DISCUSSIONS TOOK PLACE ABOUT SHIFTS IN COMPOSITION OF BALANCE OF PAYMENTS RESULTING FROM OIL CRISIS. MINISTERIAL COMMUNIQUE, AS PUBLISHED DOCUMENT, PLUS CONFIDENTIAL DOCUMENTS OF THESE OTHER BODIES, CONTAIN REFERENCES REFLECTING AGREEMENT OF OECD NATIONS THAT BALANCE OF PAYMENTS PROBLEMS SHOULD BE APPROACHED COOPERATIVELY AND "TACKLED ON AN INTERNATIONAL BASIS". RECOGNITION GIVEN THAT

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 19948

COUNTRIES WHOSE CURRENT ACCOUNTS HAVE WEAKENED BECAUSE
OF OIL IMPORTS MUST ACCEPT NEED TO BE RECEPTIVE TO
CAPITAL MOVEMENTS RESULTING AS COUNTERPART FROM SUCH
SHIFTS IN CURRENT ACCOUNT OF OIL PRODUCING NATIONS.

THUS U.S. POLICY CHANGES WOULD ALSO BE VIEWED IN LIGHT
THESE RECENT DISCUSSIONS.

7. OTHER COUNTRIES UNDER SAME PINCH OF B/P SHIFTS MAY
ALSO BE RE-EXAMINING THEIR CAPITAL MOVEMENTS POLICIES.
THEY ARE MORE LIKELY TO DEPART FROM LIBERAL AND NEUTRAL
POLICIES IF U.S. INITIATES SUCH A CHANGE AND IF PRESENT
INACTIVITY ON OIL PRICE FRONT CONTINUES. IN CAPITAL
FIELD AS WELL AS TRADE, PROBLEM OF ADJUSTING ECONOMY
TO NEW SHIFTS DEPENDS HEAVILY ON THEIR SIZE AND RAPIDITY.

8. WE RECOGNIZE FROM REFTEL THAT CURRENT REVIEW OF
EXISTING U.S. POLICY MAY NOT AND PERHAPS SHOULD NOT
RESULT IN ANY C HANGE. WE WISH TO SUGGEST THAT SUCH
RE-EXAMINATION TAKE INTO ACCOUNT THAT IF ANY ALTERATION
DECIDED UPON IT SHOULD BE DISCUSSED WITH OTHER COUNTRIES
IN OECD; CERTAIN SHIFTS WOULD BE MORE TENABLE IF TAKEN
BY OECD AS GROUP THAN IF DONE UNILATERALLY, FROM STAND-
POINT OF AVOIDING CHARGE OF BEGGAR-THY-NEIGHBOR ACTIONS.
EVEN THIS WOULD NOT DEAL WITH IMPACT ON EITHER OPEC
COUNTRIES OR OTHER NON-OECD NATIONS.

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